

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
)	
High-Cost Universal Service Support)	WC Docket No. 05-337

NOTICE OF INQUIRY AND NOTICE OF PROPOSED RULEMAKING

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Comment Date: (60 days from publication in the federal Register)

Reply Comment Date: (90 days from publication in Federal Register)

JBN TELEPHONE COMPANY, INC. COMMENTS

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July 12, 2010

I. INTRODUCTION

JBN Telephone Company, Inc. (JBN) submits these comments in response to the Federal Communications Commission's (FCC) Notice of Inquiry and Notice of Proposed Rulemaking, FCC 10-58, "In the Matter of Connect America Fund", WC Docket No. 10-90, "A National Broadband Plan for Our Future", GN Docket No. 09-51, and "High-Cost Universal Service Support", WC Docket 05-337 (Order).

JBN believes that the goals within the National Broadband Plan (NBP) are admirable. However, the means of achieving these goals include initiatives that are a major concern for the rural incumbent Local Exchange Carriers (ILECs). Most rural ILECs have already implemented broadband within their service areas, or are in the process of completing projects for broadband.

JBN is specifically addressing the following key question from Paragraph 53 of the FCC 10-58 Order:

"To the extent that any commenter believes that these proposals, or the proposal to cap legacy high-cost support, would negatively affect affordable voice services for customers, we would encourage such a commenter to identify all assumptions and to provide data, including information on network investment plans over the next five years and free cash flows, to support that position".

JBN includes financial information with these comments that demonstrates how the proposed changes to the legacy Universal Service Fund (USF) are not favorable for the continuance of universal service in rural areas without sufficient replacement support and may jeopardize the financial viability of JBN Telephone Company, Inc.

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II. BACKGROUND

As of December 31, 2009, JBN served 2,110 one-party residential, single-line and multi-line business lines, including 62 Life-line customers, in the northeastern portion of the State of Kansas from our office in Holton. We have a staff of 16 employees, offer wireline voice services, and broadband services ranging from 768K to 3M. We recently applied for broadband stimulus funds to offer 20M to the underserved consumers in our service area.

JBN's local exchange area covers approximately 1,000 square miles, with 266 miles of buried fiber and 1,226 of buried cable of which 47 miles are planned to be replaced with buried fiber by fourth quarter 2011, if the stimulus application is granted. JBN utilizes a soft switch, is Communication Assistance to Law Enforcement Act (CALEA) compliant, and meets all of the requirements of an Eligible Telecommunications Carrier (ETC), including Carrier of Last Resort (COLR).

JBN is responsive to the needs of our customers and takes pride in providing quality voice and data services that meet the needs of our customers because our customers are also our neighbors.

When we applied for the stimulus funds, we prepared financial support and the related business case based on current FCC rules and regulations, including the continuation of legacy USF support. The information provided in our comments is not based on the financial information from our stimulus application, but was prepared using the recent National Exchange Carrier Association's (NECA) forecast data modified for NECA's National Average Cost per Loop (NACPL). This information is considered

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“Business as Usual” which was subsequently adjusted to include the proposed changes as outlined in the Notice of Inquiry and Notice of Proposed Rulemaking, adopted April 21, 2010 for the National Broadband Plan (NBP).

III. REVENUE SOURCES

JBN received its 2009 revenues from the following sources: our end user customers, including Local Service, End User Common Line (EUCL), Federal End User Charge (FUSC), State USF Surcharge, and Internet; Network Access billed to Carriers; resold Long Distance and Miscellaneous Revenue; State USF; and federal USF which includes Local Switching Support (LSS), Interstate Common Line Support (ICLS), and High Cost Loop (HCL) revenue. The EUCL, LSS, and ICLS support amounts are actually part of interstate revenue requirement.

Based on the 2009 2,110 access lines, the 2009 revenue per line, per month for the above sources is as follows: End User \$44.66; Network Access \$16.85; Long Distance and Miscellaneous \$9.78; State USF support \$7.75; and Federal USF \$59.69. State and federal USF support is \$67.44 per line, per month or 48.62% of JBN’s revenue. *Exhibit I, “2009 Monthly Revenue Source per Line”*, provides a pie chart for this information.

Exhibit I also shows the effect of the FCC’s proposals by year 2015 for phasing down federal USF support, as well as the decreasing minute-of-use access revenue. The data for 2015 represents the half way point in the FCC’s proposal to eliminate minute-of-use changes by the year 2020. It is anticipated that JBN’s access lines will also decrease by 17% to 1,756 by 2015.

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The proposed changes to the existing revenue sources are anticipated to produce the following revenue per line, per month: End User \$47.52; Network Access \$10.67; Long Distance and Miscellaneous \$12.40; State USF support \$8.42; and Federal USF \$37.81. Total state and federal USF support is \$46.23 per line, per month or 33.92%. The 2015 revenue shortfall between “Business as Usual” and the NBP is \$19.49 per line per month, or 14.30% that will need to be supported from unknown sources for JBN to maintain the quality voice and data services that have been provided to our customers and is expected to be provided by our customers.

Exhibit II, “Comparison of Current ICLS projection vs. Frozen at 2010 Levels Per Line”, provides a bar chart to display the comparison of ICLS between the current projection and frozen at the 2010 levels of \$199.48 per line. Even with lines decreasing, and using the 2010 per line level of support, the difference between unfrozen and frozen ICLS will be (\$26,878) in 2011 and (\$233,357) by 2016.

ICLS represents total network loop costs that are maintained even when lines are lost. As lines decrease and less subscriber line charges are applied to the reduced number of lines, the amount of ICLS per line would need to be increased in order for the total study area ICLS costs to be fully recovered.

IV. BENCHMARK END USER RATES

Based on 2009 levels and assuming that all 2,110 lines subscribe to local services and long distance, and using DSL lines to calculate the average internet revenue, JBN would receive \$66.25 per month, per line for these services. Exhibit I indicates end

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user revenue at \$44.66, which is based on the average revenue from total access lines. Since the \$66.25 is based on the number of DSL lines in determining a comparable rate, the \$66.25 was used for purposes of benchmarking.

Exhibit III, “Monthly Revenue Shortfall from Covering Expenses at Comparable Rural/Urban/Wireless End User Benchmark Rates”, provides a comparison between the amount from JBN’s end users of \$66.25 to an actual AT&T’s urban voice-line statement of \$71.07 and an actual Sprint’s wireless statement of \$69.24. Using JBN’s’ 2010 total company expenses less special access and miscellaneous revenue, the per-line, per month expense amount that would not be recovered with end user revenue would be \$64.46 at JBN’s revenue per line rate; \$73.19 at the urban wireline rate; and \$61.47 at the wireless rate. This shortfall does not include an amount for a return on investment.

The information provided in Exhibit III demonstrates that JBN’s rates would not recover expenses from end users nor would the rates of an urban wireline carrier or a wireless carrier. The revenue generated by end users would not be sufficient to cover the expenses necessary to provide quality services in our rural area.

V. INVESTMENTS FOR BROADBAND

As stated earlier, JBN applied for stimulus funds, but the anticipated investments from this application are not included in this analysis. *Exhibit IV, “Projected Net Investment”*, is a bar chart that provides the impact of investments through 2009 and the effect of net investment without major capital expenditure projects after 2009. JBN’s rate base, based on limited investment projects, becomes fully depreciated by 2015.

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Estimating future HCL support has always been difficult as the NACPL has been a “best guess” amount. Our consultants, Warinner, Gesinger and Associates, LLC (WGA) estimated the NACPL at \$453.81 for calendar year 2009 (for payment year 2011) and increased this by \$32.50 per year through 2014 to \$616.31(for payment year 2016). NECA in June 2010, for the first time, released its projected NACPL for 2009 calendar year of \$464.78, which due to the negative rural growth factor of minus 3.5%, increases to \$743.74 by 2013.

VI. COMPARISON OF PROJECTED HIGH COST LOOP SUPPORT

The Exhibit V chart, “*Projected High Cost Loop Support*” provides the amount of HCL support using WGA’s NACPL; the HCL support using NECA’s NACPL, and the amount of HCL support if frozen at 2010 support per line. The difference between the use of WGA’s estimated NACPL and that based on NECA’s NACPL, impacts JBN’s anticipated HCL support, on a cumulative basis, (\$981,571) by 2016. The financial information was based on the use of NECA’s NACPL in determining the anticipated HCL support and JBN’s anticipated Study Area Cost per Loop (SACPL).

VII. CASH FLOW PROJECTION

Presented in *Exhibit VI, “Cash Flow Projection”*, is information related to cash-flow through 2016 comparing “Business as Usual” to the impact of the proposals associated with the NBP changes. The decrease in cash-flow for “Business as Usual” is

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directly related to NECA's projected increase in the NACPL which drastically reduces the year-over-year amount of anticipated HCL support. JBN's "Business as Usual" cash-flow becomes negative in 2014.

The "Business as Usual" revenues were adjusted to provide the NBP cash-flow revenue amounts as follows: (1) ICLS revenue was based on the 2010 support per line (Exhibit II) and, (2) HCL support, state and federal access revenue was phased down by 10% per year.

The NBP's proposals regarding phasing down, or eliminating traditional access revenues, will have a negative impact on our revenue. Federal access rates are lower because the End User Common Line (EUCL) was implemented by the FCC to remove access charges paid by carriers and recover a portion of this from the end user. The EUCL and the Interstate Common Line Charge (ICLS) support amount, also implemented by the FCC to remove access charges paid by carriers, allow cost companies to recover their interstate Carrier Common Line (CCL) revenue requirement through the explicit ICLS mechanism. Kansas access rates are lower because of State USF support.

If the FCC adopts the NBP proposed elimination of access charges or takes the rate to an arbitrary level of say \$0.007, JBN will require a replacement revenue source for both interstate and state access revenue in order to maintain their current level of services and meet their debt payment obligations. JBN assumes that the reduction and replacement of intrastate access may also require approval of the State Commissions.

The NBP cash-flow analysis does not include revenue from an unknown source or the proposed Connect America Fund (CAF) to replace the lost revenue resulting from

decreases in access and the changes in legacy USF support. The NBP revenue changes, result in a negative cash-flow by 2012 of (\$222,188) reaching (\$1,533,899) by 2016.

VIII. OPINION SUMMARY

JBN's revenue is generated from end users, carriers and universal support (*Exhibit I*). Even if local rates are set to the higher of an urban landline provider or a wireless provider, the revenues generated on JBN's lines will not cover our expenses (*Exhibit III*).

JBN presents this financial documentation to the FCC to support our opinion that the proposals to phase-out the legacy high-cost funding and per minute-of-use charges by 2020 will negatively affect the affordable and dependable voice and data services for our customers. It is important for the FCC to ensure that any replacement support will be adequate to support the goals of universal service.

JBN Telephone Company, Inc. respectfully requests that the FCC consider the impact to the rural companies in its changes to the legacy USF support mechanisms as the FCC adopts policies that may cap the legacy high-cost programs or replace it with the CAF. As our financial information demonstrates, JBN serves a high-cost area and in order to achieve the universal service goal of affordable, comparable rates, JBN will require predictable and sufficient USF or CAF to maintain affordable quality services to our rural customers.

If the proposals, as set forth by the FCC in the Notice of Proposed Rulemaking are implemented without an adequate and sustainable revenue replacement, JBN Telephone Company, Inc. may no longer be financially viable (*Exhibit VI*).

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The data presented by JBN Telephone Company, Inc. in Exhibits I through VI appropriately represents the financial information that supports our comments. However, if the Federal Communications Commission desires to review the supporting data behind the exhibits, this financial data will be provided upon request in a confidential manner as restricted information not available to the public.

Respectfully submitted,

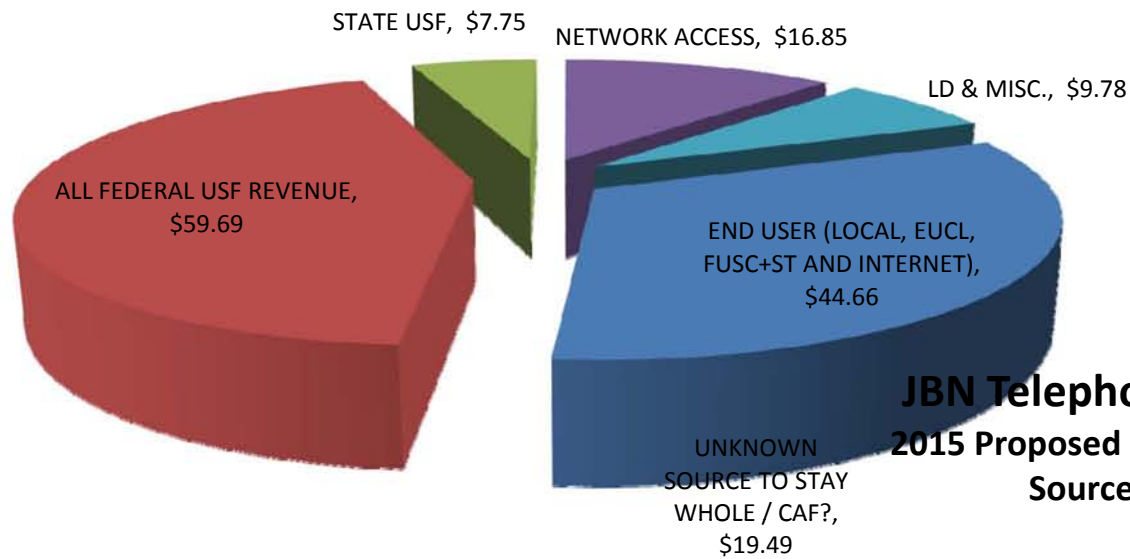
/s/ Karl VanDerSluis

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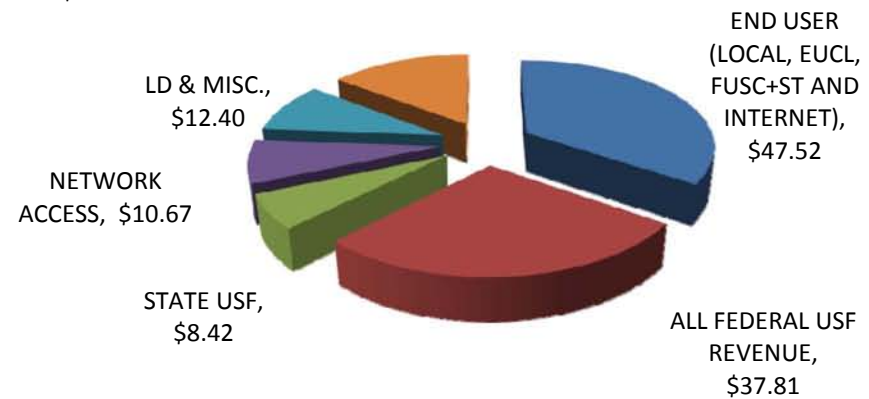
Submitted via ECFS

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JBN Telephone Company 2009 Monthly Revenue Source Per Line



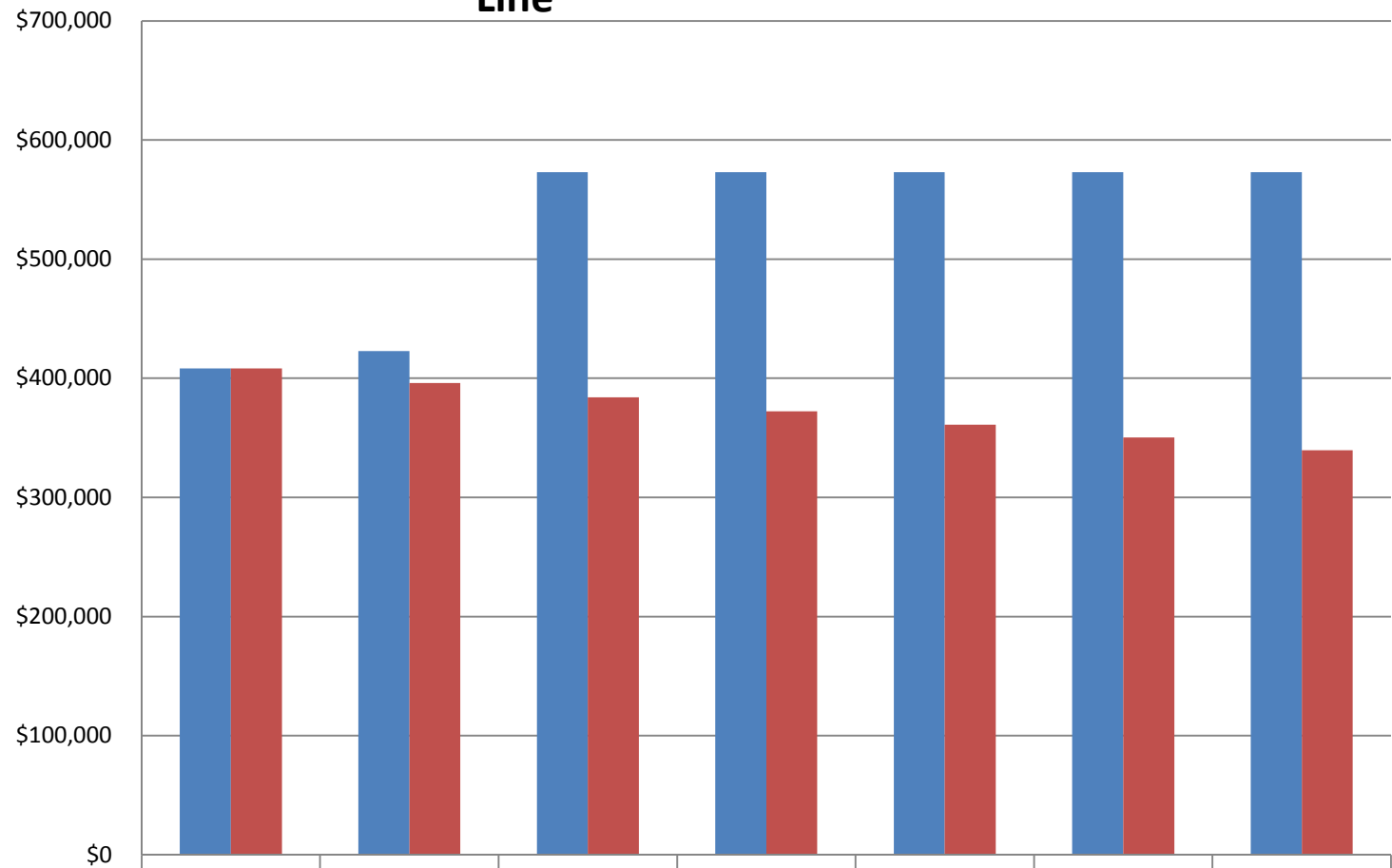
JBN Telephone Company 2015 Proposed Monthly Revenue Source Per Line



JBN Telephone Company

Comparison of Current ICLS Projection vs. Frozen at 2010 Levels Per Line

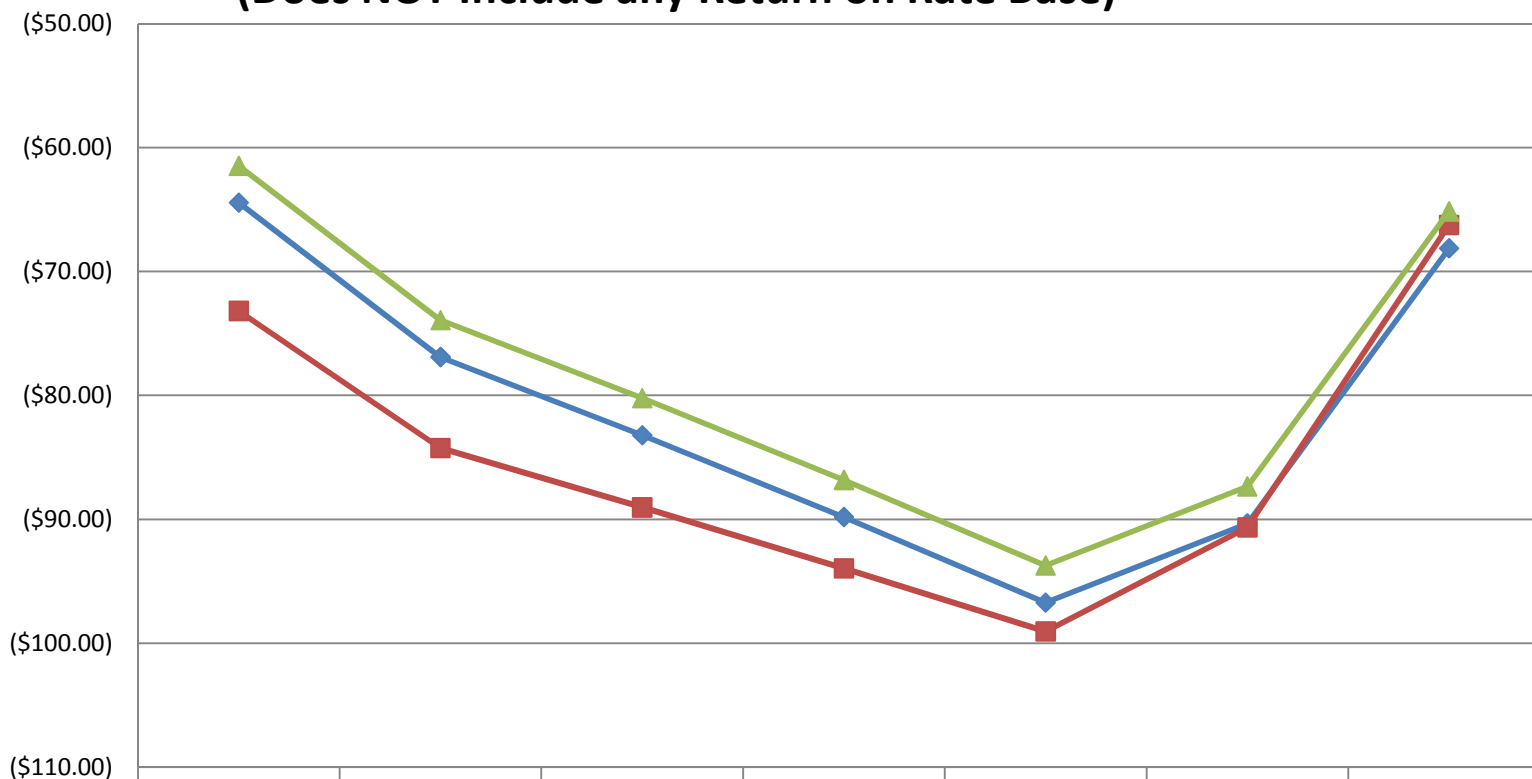
Exhibit II



■ Projected ICLS (unfrozen):	408,337	422,847	572,958	572,958	572,958	572,958	572,958
■ ICLS - frozen @ 2010 Per Line Amt	408,337	395,969	383,990	372,374	361,111	350,190	339,601

JBN Telephone Company
Monthly Revenue Shortfall from Covering Expenses at Comparable
Rural/Urban/Wireless End User Benchmark Rates
(Does NOT Include any Return on Rate Base)

Note
Declining
Scale

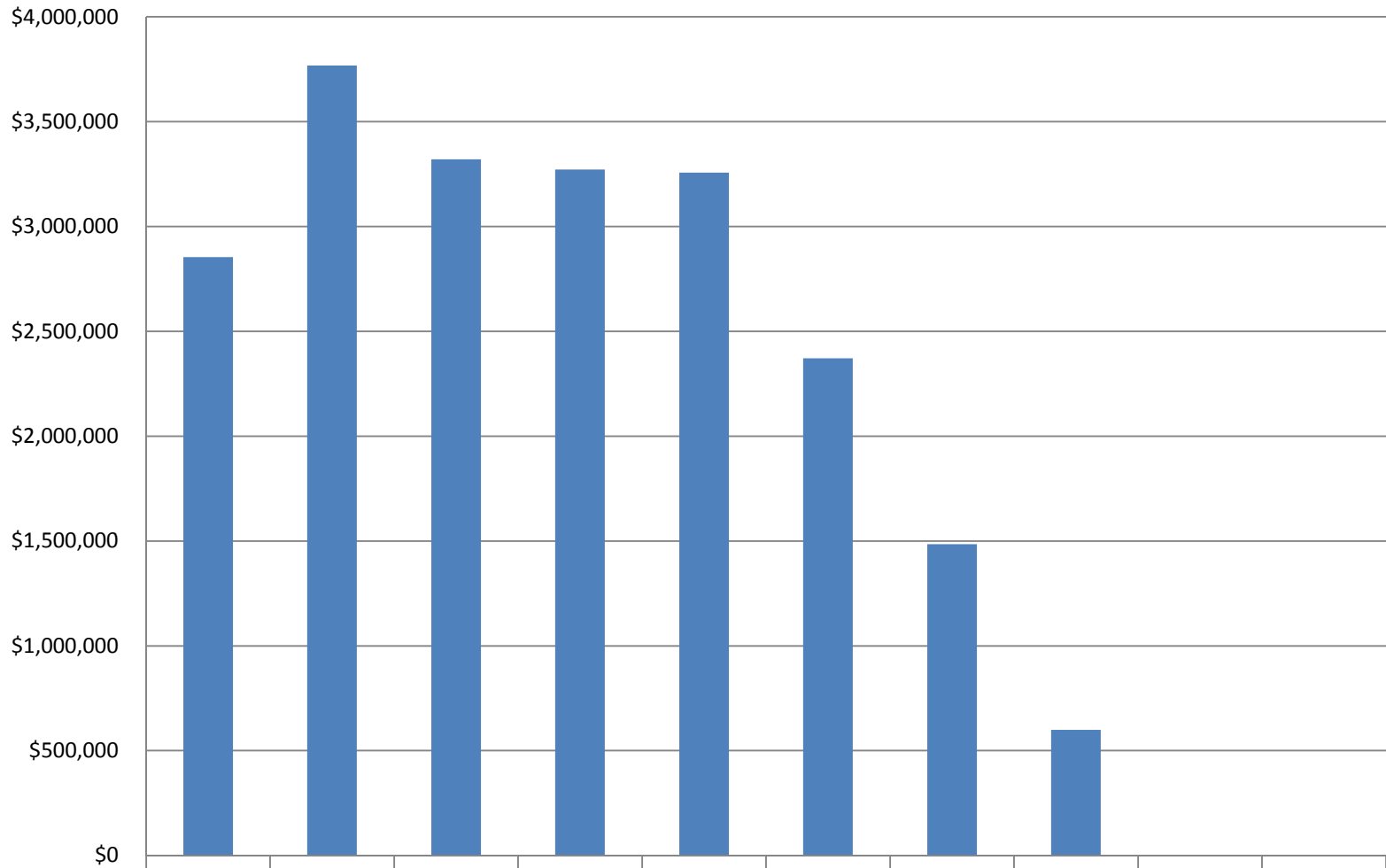


	2010	2011	2012	2013	2014	2015	2016
AT ILEC'S RATES	\$(64.46)	\$(76.91)	\$(83.22)	\$(89.82)	\$(96.72)	\$(90.34)	\$(68.14)
AT AT&T'S RATES	\$(73.19)	\$(84.25)	\$(89.04)	\$(93.96)	\$(99.04)	\$(90.65)	\$(66.25)
AT SPRINT'S WIRELESS	\$(61.47)	\$(73.92)	\$(80.23)	\$(86.83)	\$(93.73)	\$(87.35)	\$(65.15)

JBN Telephone Company

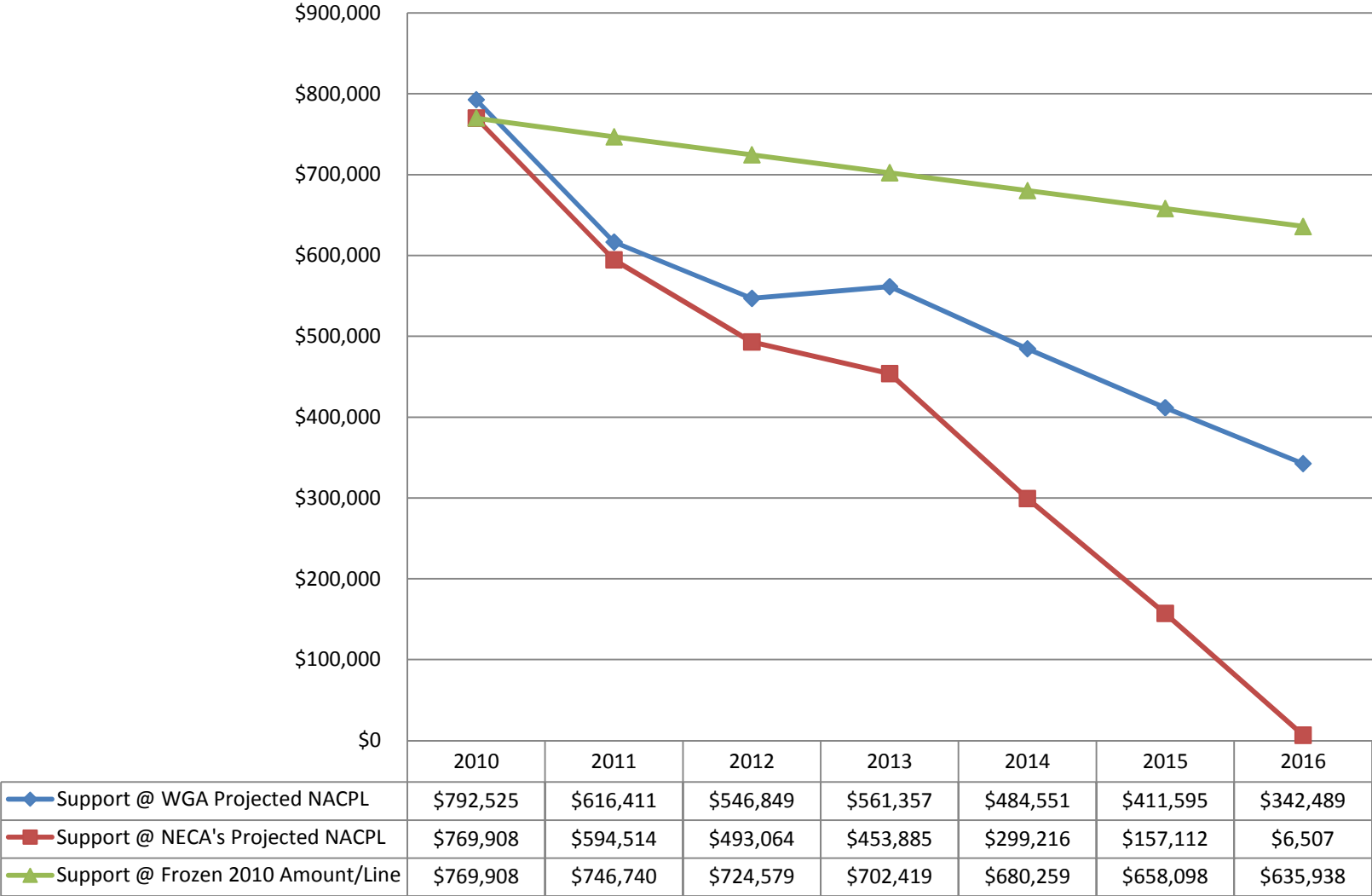
Projected Regulated Net Investment

Exhibit IV



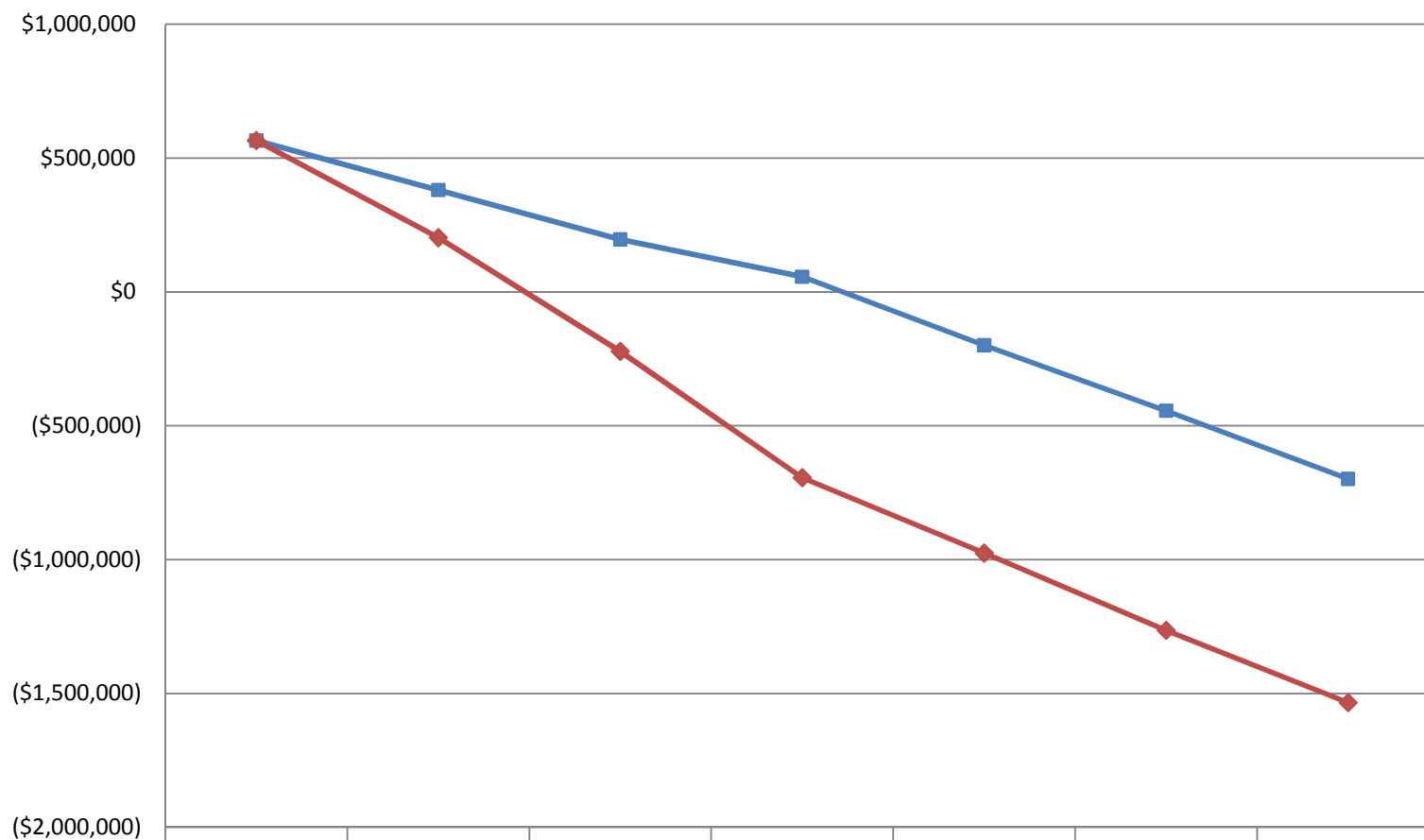
■ Net Regulated Investment	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	\$2,854,33	\$3,767,35	\$3,320,96	\$3,271,36	\$3,257,21	\$2,371,26	\$1,485,31	\$599,370	\$0	\$0

**JBN Telephone Company
Projected High Cost Loop Support**



JBN Telephone Company Cash Flow Projection

(With ICLS Frozen, HCL, State and Interstate Access Reduced 10% Per Year)



Business As Usual Cash Flow

NBP Cash Flow

2010

2011

2012

2013

2014

2015

2016

\$564,998

\$380,374

\$195,820

\$56,381

\$(199,487)

\$(444,001)

\$(698,352)

\$564,999

\$202,314

\$(222,188)

\$(694,123)

\$(975,598)

\$(1,264,182)

\$(1,533,899)